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• *IT* Interview •

Moving Up the Value Chain

MicroPatent president Steve Wolfson talks about his company's products, acquisitions, and competition

by Richard Poynder

Founded in 1989, MicroPatent was the first company to provide patent document delivery services. Following its acquisition by Information Holdings, Inc. (IHI) in 1997, the company has itself been in acquisition mode. In a recent interview, president Steve Wolfson said that next up for MicroPatent will be new value-added services and tools.

Q Can you start by saying something about your background?

A I came to MicroPatent as chief financial officer 5 years ago. Shortly afterwards, when MicroPatent was acquired by Information Holdings, I became president. In total, I have spent 22 years in information technology companies, including large companies like the Thomson Corp. and smaller ones like Data Broadcasting, which is now called Interactive Data and owned by the Financial Times in London.

Q What's the story behind MicroPatent?

A MicroPatent was founded in 1989 by a smart entrepreneur called Peter Tracy, who began selling U.S. patent facsimiles on CD-ROM. By the early 1990s MicroPatent had become the largest distributor of EPO [European Patent Office] information, and begun offering searchable patent information from Europe, Japan, and the U.S. In 1997 Peter sold the company to Information Holdings, which allowed a sharp increase in capital funding.

In 1998 we introduced the first integrated full-text searchable database that included PCT applications. Until that time nobody in the world offered the full text of PCT applications. And in 1999 we added searchable U.S. full text back to 1836. Again, nobody else has this, not even the USPTO. Then in early 2002 we added U.K. full text—another unique product—and German full text. As a result, we now have the most comprehensive full-text database collection anywhere in the world.

Q You also source patent data for other providers?

A Right. We have an agreement with Dialog in which all the patent documents ordered through them come from us. We have a partnership with Chemical Abstracts, which allows their users to get patent documents through us. We also deliver patent documents for the Derwent World Drugs Alert, and we recently signed a deal in which we will be integrating our document delivery service with the Derwent World Patents Index (DWPI) on the Institute of Physics Web site. There are many more examples where we either partner with or sell data to other providers. Delphion, for instance, buys U.S. data from us.

Q My perception of MicroPatent is as a document delivery company. Is that still accurate?

A People think that way because we were the first and the best at document delivery. But the reality is that we are becoming an extremely powerful search company, too. We have all the searchable full text I mentioned, and we are now using some very, very powerful computers to deliver this. We are also developing workspace and analytical tools. So we are absolutely no longer only about document delivery.

Q Talk me through your product portfolio. There is PatentWeb, Trademark.com, and you have some CD-ROM products, right?

A Absolutely. The portfolio of products we now offer is larger than any other company's in the industry because we are both a technology company and a database company. As such, we have everything from CD-ROMs to customized in-house solutions, and a standardized Web product that can also be customized. We also took on Derwent's CD-ROM customers this year after Derwent decided to get out of the CD-ROM business, and we are launching the World Patent and Trademark Exchange....

Q What is your main product?

A Our key product is what we call TOPS, the Total Optimised Patent Solution. That is the Web product that offers all of our services in one group, so you get downloading, you get searching, you get workspace tools, you get analytical tools&$151;all in one product. Alternatively, users can opt for a customized in-house solution.

Q So PatentWeb is the Web version of TOPS?

A No. TOPS is a particular group of products and services offered via subscription. PatentWeb is simply a trademark that denotes all the MicroPatent patent services that are offered either directly on the MicroPatent Web site or which can be ordered via the Web site.

Q If I were a potential customer I would be a bit confused by all this. How does the sales process work?

A We will go and visit a customer and try to find out what it is they want to do and how it is they want to do it, and then we may say to them: "OK, we have the standard product on the Web. Here is what it does. We think it is going to suit your needs very well." However, it may turn out that they don't want it, or it only suits one of their departments. In this case we will say, "Let us build something else that will fit exactly what you want."

Q How does your pricing work?

A We have all sorts of pricing plans. We have flat-rate pricing, we have transaction pricing, we have discount plans. We are very flexible.

Q So what's the range of pricing options?

A On the Web it ranges all the way from buying a single patent for $4.95 to the most expensive option of a $95,000 annual subscription. For a customized job the price depends on what the customer decides they want.

Q I'm told MicroPatent claims to have around 10,000 users. Is that right?

A Yes. Today we have around 10,000 users. But that is not necessarily a meaningful number since it will include people who may order just $100 worth of patents a year.

Q Who are these users? Information professionals, patent people, scientists, inventors?

A All of them, since we have multiple markets. We have a very large legal market, we have a large R&D market, and we have a large information professional market.

Q Presumably these different types of users have different searching expertise and so need different products to reflect that?

A We like to think that all our products are simple and easy enough for anyone to understand and use. How they are used will depend on the expertise of those using them.

Q A number of users I spoke to expressed some dissatisfaction with your interface. Are there plans to change it?

A Some people may have specific dislikes, but I am not aware of any great unhappiness. Our experience is that when you change your interface there are more unhappy people, just because you changed it. However, we do believe in incremental changes, and we are constantly looking at ways of improving it.

Q A couple of users also commented that while they like being able to download patents in Adobe, it is not currently possible to search on those patents since they are non-searchable images. Do you plan to change this?

A We have not had enough overall customer demand for this feature to put it on our general development schedule. However, we have built tools for several of our larger customers so that their users can, using Adobe software, search any PDF patents they retrieve from MicroPatent. We would be happy to discuss potential solutions with any customer.

Q Another user asked about security and wondered why you do not SSL-encrypt your search page.

A We don't force everyone to have SSL encryption because it makes the search slower, but we do allow it for anyone who wants it. So maybe this user just doesn't realize it is available as an option.

Q What about privacy? Can users be sure their searches will never be recorded and mined?

A In the past we never kept track of searches, only of usage. Recently, however, some of our law firms have said that they would like us to tell them what searches they are doing. So we are going to build in some functionality to allow us to track searches, but only for those people who want it.

Q MicroPatent is 100-percent owned by Information Holdings, right?

A That is correct.

Q Both Information Holdings and MicroPatent have acquired a lot of companies recently: Optipat, Faxpat, Master Data Center, IDRAC, Woolcott, Corporate Intelligence, Liquent, and so on. How do they all fit together now?

A With the exception of Master Data Center, IDRAC, and Liquent, all these companies have been acquired by MicroPatent and are run by MicroPatent. The other three companies are owned by IHI and are run by separate divisions of IHI. However, all four of us are under an intellectual property group, and we are all going to be cooperating closely with each other because we believe there are synergies among us.

Q What is the strategic vision driving these acquisitions?

A We bought them because we believe them to be synergistic and helpful to MicroPatent. The strategy is to offer a wide range of patent information, products, and services to our diverse customer base, and as time goes on we are going to figure out ways to meld some of our trademark information with our patent information.

Q How many employees does MicroPatent currently have?

A Altogether we have about 140 employees, including all the MicroPatent companies.

Q How do the financials look currently?

A We don't release financial figures, but what I can say is that every year since I have been president of this company it has been highly profitable, and I expect it to continue to be.

Q So why not share the sales and profit figures with me?

A Because we are owned by IHI. IHI is a public company that issues certain figures, but I can't give out any figures that they don't issue, as I am not a spokesman for IHI. What I can do is recommend you to the reports published in January by Thomas Weisel Partners and Merrill Lynch, who are investment bankers for Information Holdings. The Weisel report, for instance, shows MicroPatent's 2000 revenues to be $20 million.

Q What sort of growth are you experiencing, and is that changing?

A We experienced very rapid growth as soon as I took over because we put in a lot of capital expenditures and increased our R&D significantly. We are still experiencing growth, although some businesses are declining. For example, our CD business declines every year. On the other hand, our solutions business is growing incredibly rapidly. The downloading business is holding its own, although it isn't growing as rapidly because of all the free sites out there.

Q Who are your main competitors?

A The free sites are certainly competitors to us. At the other end of the spectrum we compete in tiny areas with Derwent. But our primary competitors are online services like Dialog and Questel, and Delphion.

Q And the patent offices? They are a bit of a wild card I guess?

A They are. However, we work very well with the U.S. patent office and we don't consider them to be much of a threat. The EPO is more of a competitor. On the other hand, our U.K. data is a product of a partnership with the EPO, and we have sold the PCT full text and other data to the EPO for their examiners.

Q Do the activities of the patent offices raise fair-competition issues?

A Absolutely. We view the free services offered by the patent offices as unfortunate and, in the case of the U.S. at least, a waste of taxpayers' money. So yes, it is unfair competition. But I am not going to throw up my hands and say, "OK, I've got to get out of this business." We just have to move on to much higher value products, which is what we are doing.

Q What does the fate of Aurigin tell us about the patent information industry?

A The failure of Aurigin doesn't tell us anything about the market for patent information. It tells us that Aurigin was underfunded and overstaffed—and I think they were incorrectly managed. Currently, therefore, Aurigin is in the process of bankruptcy. Someone is going to buy them out of bankruptcy. It could even be MicroPatent since we are bidding for them.

Q What is the attraction of Aurigin to MicroPatent?

A We are bidding for two reasons: Firstly for their intellectual property, secondly for their customers. We believe we could build systems for those customers that will be even better than they have today.

Q As you pointed out, the growth of free patent sites means that companies like MicroPatent will have to move up the value chain. What's your take on recent developments at Delphion, particularly their move into consultancy?

A Delphion seems to be following the Aurigin model by building software for various aspects of intellectual asset management and adding consulting. This high-risk,high-investment strategy—which has resulted in Delphion dropping out of active selling in Europe—does not appeal to us, especially since our sister company, Master Data Center, already has excellent asset management tools.

Q Tell me about MicroPatent's future plans.

A We plan to increase our sales of in-house customized solutions and to add a lot of analytical tools to our Web site. To this end, for instance, we have a partnership with Global Linxs, a German software company that specializes in Autonomy semantic search software. We believe that semantic search systems will turn up lots of new important hits that you wouldn't get if you used Derwent, or using our current Boolean system. We are also going to be moving into clustering and ranking technologies. Additionally, we have a partnership with ConnectSite for content management and collaboration.

Q So new search technologies combined with content management, workspace, and analytical tools?

A Right.

Q What about new content?

A We are content hungry, and we want to put up as much data as possible. So we are negotiating with several major patent offices around the world, and if any country out there has any data that they would be interested in doing something with, they should talk to us.

Q Has MicroPatent ever considered following Delphion's example and adding Derwent's World Patents Index to PatentWeb?

A We always want to add things to our service that can benefit our customers. To that end, we have asked Derwent many times over the last few years about putting up DWPI on MicroPatent. They have consistently refused to even negotiate such a deal.

Q MicroPatent doesn't seem to be promoting itself very actively. Why is that?

A I agree that we had been a little remiss in this area but have rapidly begun to change that. As you pointed out, a lot of people still think of us as a document delivery company. We are changing that perception to one of an IP solution company with more salespeople, more marketing, and most importantly, exciting new products.

Q Finally, where do you see MicroPatent in 5 years?

A Our plan is to have MicroPatent double its revenue and double its profits in 5 years. Most importantly, our aim is by then to have developed all the tools necessary to help our customers grow their own businesses.

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